

## SENATE BILL NO. 8

INTRODUCED BY J. COBB

A BILL FOR AN ACT ENTITLED: "AN ACT TEMPORARILY INCREASING THE CIGARETTE TAX BY 8 CENTS A PACK FOR THE USE OF THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES FOR FUNDING SOCIAL SERVICES; PROVIDING THAT THE TAX BE IN EFFECT FROM OCTOBER 1, 2002, THROUGH JUNE 30, 2005; AMENDING SECTIONS 16-11-111 AND 16-11-119, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 16-11-111, MCA, is amended to read:

**"16-11-111. Cigarette sales tax -- exemption for sale to tribal member.** (1) (a) A tax on the purchase of cigarettes for consumption, use, or any purpose other than resale in the regular course of business is imposed and must be precollected by the wholesaler and paid to the state of Montana. The tax is ~~18 cents~~ on each package containing 20 cigarettes is:

(i) 26 cents through June 30, 2005; and;

(ii) 18 cents after June 30, 2005.

(b) when ~~When~~ packages contain other than 20 cigarettes, there is a tax on each cigarette equal to 1/20th the tax on a package containing 20 cigarettes.

~~(b)(c)~~ (c) The tax computed under subsection (1)(a) or (1)(b) applies to illegally packaged cigarettes under 16-11-307.

(2) The tax imposed in subsection (1) does not apply to quota cigarettes.

(3) Subject to the refund or credit provided in subsection (4), the tax must be precollected on all cigarettes entering a Montana Indian reservation.

(4) Pursuant to the procedure provided in subsection (5), a wholesaler making a sale of cigarettes to a retailer within the boundaries of a Montana Indian reservation may apply to the department for a refund or credit for taxes precollected on cigarettes sold by the retailer to a member of the federally recognized Indian tribe or tribes on whose reservation the sale is made. A wholesaler who does not file a claim within 1 year of the shipment date forfeits the refund or credit.

(5) The distribution of tax-free cigarettes to a tribal member must be implemented through a system of preapproved wholesaler shipments. A licensed Montana wholesaler shall contact the department for approval prior to the shipment of the untaxed cigarettes. The department may authorize sales based on whether the quota, as established in a cooperative agreement between the department and an Indian tribe or as set out in this chapter, has been met. If authorized as a tax-exempt sale, the wholesaler, upon providing proof of order and delivery to a retailer within the boundaries of a Montana Indian reservation selling cigarettes to members of a federally recognized tribe or tribes of that reservation, must be given a ~~credit~~ or refund or credit. Once the quota has been filled, the department shall immediately notify all affected wholesalers that further sales on that reservation must be taxed and that a claim for a refund or credit will not be honored for the remainder of the quota period. Quota allocations are not transferable between quota periods or between reservations.

(6) The total amount of refunds or credits allowed by the department to all wholesalers claiming the refund or credit under subsection (4) for any month may not exceed an amount that is equal to the tax due on the quota allocation. The department shall determine the amount of refunds or credits for each Indian reservation at the beginning of each fiscal year, using the most recent census data available from the bureau of Indian affairs or as provided in a cooperative agreement with the tribe or tribes of the Indian reservation."

**Section 2.** Section 16-11-119, MCA, is amended to read:

**"16-11-119. Disposition of taxes.** (1) Cigarette taxes collected under the provisions of 16-11-111(1)(a)(i) must be allocated as follows:

(1)(a) The amount of 7.7% of the cigarette tax collected on each package of cigarettes must be deposited in the state special revenue fund to the credit of the department of public health and human services for the operation and maintenance of state veterans' nursing homes.

(b) The amount of 30.7% of the cigarette tax collected on each package of cigarettes must be deposited in the state special revenue fund to the credit of the department of public health and human services for the use of the department in providing social services.

(c) The amount of 50.6% must, in accordance with the provisions of 15-1-501, be deposited in the state general fund.

(d) The amount of 11% must, in accordance with the provisions of 15-1-501, be deposited in the long-range building program account provided for in 17-7-205.

(2) Cigarette taxes collected under the provisions of 16-11-111(1)(a)(ii) must be allocated as follows:

(a) The amount of 11.11% of the cigarette tax collected on each package of cigarettes must be deposited in the state special revenue fund to the credit of the department of public health and human services for the operation and maintenance of state veterans' nursing homes.

~~(2)~~(b) The amount of 73.04% must, in accordance with the provisions of 15-1-501, be deposited in the state general fund.

(3)(c) The amount of 15.85% must, in accordance with the provisions of 15-1-501, be deposited in the long-range building program account provided for in 17-7-205."

NEW SECTION. **Section 3. Notification to tribal governments.** The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell band of Chippewa.

**NEW SECTION.** **Section 4. Effective date.** [This act] is effective October 1, 2002.

NEW SECTION. **Section 5. Applicability.** [This act] applies to cigarettes in the possession of wholesalers on October 1, 2002, for the rate specified in 16-11-111(1)(a)(i) and on July 1, 2005, for the rate specified in 16-11-111(1)(a)(ii).

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